

## Message Text

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15

ORIGIN EB-07

INFO OCT-01 ARA-10 IO-10 ISO-00 FEA-01 AGR-10 CEA-01

CIAE-00 COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15

STR-04 TAR-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01

/115 R

DRAFTED BY EB/OT/GCP - MGOLDMAN

APPROVED BY EB/ITP/OT - CWSCHMIDT

ARA/ECP - MDAVILA

STR - SLANDE

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R 162104Z DEC 75

FM SECSTATE WASHDC

TO AMEMBASSY SAN JOSE

INFO USDEL MTN GENEVA

UNCLAS STATE 296179

E.O. 11652: N/A

TAGS: ETRD, CS

SUBJECT: GSP FOLLOW-UP

REF: SAN JOSE 5037(NOTAL)

1. RE PARA 4 REFTTEL, DEPT HAS NO RECORD OF QUESTION REGARDING SPECIAL US-LATIN AMERICA TRADE AGREEMENTS BEING ASKED THROUGH SIECA. IN ANY EVENT, AS WE HAVE NOTED ON NUMEROUS OCCASIONS (E.G., SIECA SEMINARS IN GUATEMALA CITY IN NOVEMBER 1974 AND IN APRIL 1975). THE USG FAVORS A MULTILATERAL APPROACH RATHER THAN ONE WHICH WOULD ENCOURAGE REGIONAL PREFERENTIAL TRADING BLOCS WHICH DISCRIMINATE AGAINST NON-PARTICIPANTS. IT UNCLASSIFIED

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IS OUR VIEW THAT THE GENERALIZED SYSTEMS OF PREFERENCES

OF THE US AND OTHER DEVELOPED COUNTRIES SHOULD LESSEN THE RESORT TO SUCH REGIONAL PREFERENTIAL TRADING BLOCS. INDEED, WILLINGNESS OF THE US TO IMPLEMENT A GENERALIZED SYSTEM OF TARIFF PREFERENCES WAS BASED IN LARGE PART ON OUR DESIRE TO OFFSET THE ADVERSE EFFECT ON LATIN AMERICA OF SUCH REGIONAL ARRANGEMENTS, PARTICULARLY BETWEEN EUROPE AND AFRICA/ASIA.

2. RE QUESTION PARA 5 REFTTEL, STATEMENT REFERS TO REQUIREMENT IN TRADE ACT THAT WHEN AN ASSOCIATION OF

COUNTRIES OPTS TO BE TREATED AS ONE COUNTRY FOR PURPOSES OF GSP, US IMPORTS OF A GIVEN PRODUCT FROM ALL ELIGIBLE MEMBERS WOULD BE TOTALLED UP TO CALCULATE COMPETITIVE NEED FORMULA (25 MILLION DOLLARS OR 50 PERCENT). THUS, COUNTRIES AND ASSOCIATIONS SHOULD EXAMINE FOLLOWING FACTORS IN ORDER TO DETERMINE WHETHER TO REQUEST TREATMENT AS ONE COUNTRY.

A - VALUE OF TRADE IN PRODUCTS WHERE ONE MEMBER DOES NOT CONTRIBUTE 35 PERCENT TO VALUE OF PRODUCT BUT WHERE TWO OR MORE MEMBERS CONTRIBUTE AT LEAST 50 PERCENT.

B - PRODUCTS WHERE COUNTRIES DO NOT TRIGGER 25 MILLION DOLLARS OR 50 PERCENT LIMITS ON AN INDIVIDUAL BASIS BUT WHERE CEILINGS WOULD BE TRIGGERED ON AGGREGATE BASIS. FOR EXAMPLE, US IMPORTS OF PRODUCT X FROM CACM MEMBERS AS FOLLOWS: COUNTRY A - 10 MILLION DOLLARS; COUNTRY B - 5 MILLION DOLLARS; COUNTRY C - 15 MILLION DOLLARS; TOTAL US IMPORTS OF PRODUCT X FROM ALL SOURCES: 60 MILLION DOLLARS. IN THIS INSTANCE, NO COUNTRY TRIGGERS EITHER CEILING INDIVIDUALLY, BUT BOTH CEILINGS ARE TRIGGERED IF COUNTRIES HAVE OPTED TO BE TREATED AS ONE COUNTRY FOR PURPOSES OF GSP. INGERSOLL

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